Michigan Department of Treasury 496 (02/06)

Auditing Procedures Report
Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

County											
Fiscal Year End June 30, 2006 Opinion Date November 15, 2006 Date Audit Report Submitted to State January 3, 2007 We affirm that: We are certified public accountants licensed to practice in Michigan. We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations). Check each applicable box below. (See instructions for further detail.) All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. The local unit has adopted a budget for all required funds. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. The local unit has not lilegal or unauthorized expenditures that came to our attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin). There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that in not been communicated, please submit a separate report under separate cover. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).											
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14. 🗵 📋 The board or council approves all invoices prior to payment as required by charter or statute.											
15. 🗵 📋 To our knowledge, bank reconciliations that were reviewed were performed timely.											
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.											
I, the undersigned, certify that this statement is complete and accurate in all respects. We have enclosed the following: Enclosed Not Required (enter a brief justification)											
Financial Statements											
The letter of Comments and Recommendations No comments or recommendations were noted.											
Other (Describe)											
Certifled Public Accountant (Firm Name) Telephone Number											
Burnside & Lang, P. C. 989-835-7721											
Street Address City State Zip 5915 Eastman Avenue, Suite 100 Midland MI 48640											
Authorizing CPA Signature Authorizing CPA Signature Printed Name Mark R. Krien CA License Number											

CITY OF BEAVERTONGLADWIN COUNTY, MICHIGAN

FINANCIAL STATEMENTS For The Year Ended June 30, 2006

CITY OF BEAVERTON

CITY COUNCIL

Nila Frei Mayor

Lois Mitchell Council Member, Ward 1

Mark Schultz Council Member, Ward 1

Michael Bassage Council Member, Ward 2

Terry Patsey Council Member, Ward 2

Jerry Malosh Council Member, Ward 3

Clark Wentz Council Member, Ward 3

MANAGEMENT

Don Doering City Manager

Beverley Dodd Miller City Clerk

Tena Andrist City Treasurer

CITY POPULATION–2000 CENSUS 1,106

STATE EQUALIZED VALUE-2005 \$21,353,800

STATE TAXABLE VALUE–2005 \$17,750,297

CITY OF BEAVERTON GLADWIN COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS JUNE 30, 2006

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Government-Wide Statement of Activities (Exhibit 3)
Governmental Funds Balance Sheet (Exhibit 4)
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 4.1)
Statement of Revenue, Expenditures, and Changes in Fund Balances (Exhibit 5)
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Independent Auditors' Report

Members of the City Council City of Beaverton Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Beaverton, Gladwin County, Michigan (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Beaverton, Gladwin County, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 34 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside + Long, P.C.

Midland, Michigan November 15, 2006

As management of the City of Beaverton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2006.

Financial Highlights

- The net assets of the City increased at the close of the year ending June 30, 2006 by \$69,900.
- During the year, the City's expenses were \$12,400 more than the \$647,200 generated in property taxes and other revenues for the governmental activities. Expenses exceeded revenues by \$268,200 in the previous year.
- The City's net assets in its business-type activities increased \$39,900 during the year, compared to an increase of \$334,000 in the previous year.
- As of the close of the year ended June 30, 2006, the City's unrestricted net assets in its governmental activities was \$65,700 or approximately 10% of current year expenses. Unrestricted net assets were \$39,300 or approximately 4% of current year expenses in the previous year.

Overview of the Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts
 of the City government, reporting the City's operations in more detail than the
 government-wide statements.

The *governmental funds* statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities the government operated like businesses, such as the hydroelectric, water and sewer systems.

Fiduciary fund statements provide information about financial relationships - like the tax collection activities of the City.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The City has three kinds of funds:

- Governmental funds Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the notes to the financial statements.
- Proprietary funds Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities such as the City's DPW Equipment Fund.
- Fiduciary funds The City is the agent, or fiduciary, for tax collection purposes. The City is responsible for the collection and proper remittance of all property taxes. The City's fiduciary activity is reported in a separate statement of fiduciary net assets. We exclude this activity from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Changes in Net Assets

The City's total revenues decreased \$96,200 during the fiscal year. Approximately one quarter of the City's revenue comes from property taxes. The remaining revenue comes from state aid, user fees, and water, sewer and hydroelectric utility sales. The impact of state revenue cuts and the slow growth of property taxes is hoped to be off set by the growth in revenue produced by the hydroelectric fund.

Governmental Activities

Revenues for the City governmental activities excluding gravel streets remained relatively unchanged. Loss in property tax revenue and state revenue sharing were off set by increases in proprietary funds, fees charged and rent collected. The City has also increased efforts to bring new business into the City and encouraging existing business to stay by offering tax abatements for new developments and expansion, seeking grant opportunities, and maintaining a website which highlights advantages of doing business within the City.

The City's management took the following steps to stabilize or lower expenses to help offset the continued slow decline in revenues.

- Continued improved reporting and bookkeeping procedures, which reduced duplication of effort, reduced late fees and better-informed city decision makers as to the status of city funds.
- Better recording of employee time spent on the various fund activities, which allowed the enterprise funds to alleviate the general fund of more payroll expenditures.

Proprietary funds

Revenues from the City's business-type activities decreased \$7,500. A significant decrease in revenue provided by the sewer and water funds led to the overall decrease in revenue; however, this decrease was off-set by the \$79,300 increase in revenue for the hydroelectric fund.

Financial Analysis of the City's Funds

As the city completed its fiscal year, its governmental funds reported a combined fund balance of \$247,300. This represents a \$27,600 fund balance increase from the last fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the budget several times. These budget amendments fall into two categories.

- Budget amendments in February and June to adjust revenue and expenditure figures.
- Transfer of monies from one fund to another to adjust fund shortfalls.

With these adjustments, actual general fund expenditures were \$38,700 less than budgeted expenditures. Resources available were also reduced based on lower than expected revenue sharing and tax revenues.

The City's ending General Fund balance was increased by \$22,800. The \$84,000 fund balance is 15.8% of actual, current year expenditures.

Capital Assets

At June 30, 2006, the City had a net investment of \$4,734,800 in a broad range of capital assets, including police equipment, buildings, park facilities, and water and sewer infrastructure. This amounts to a net decrease of \$165,700 over the previous year. These figures do not reflect the value of the City's street network. The City has invested \$507,900 in street improvements during the last three years. During the next fiscal year the street inventory will be completed and its value will be added to the City's statement of net assets.

Long Term Debt

At year end the city had approximately \$1,626,000 in bonds and notes outstanding. This is a reduction of \$53,000 from the last fiscal year. Bonded indebtedness is the result of bonds sold for the wastewater treatment plant improvements, water system expansions, and the gravel roads project.

Economic Factors and Next Year's Budget

- The level in state revenue sharing will either remain the same or continue to fall.
- Health care costs are expected to rise by 3%. Costs have been manageable because of the ability to spread most of the increase across all expense categories. The City is also requiring employees to pay a portion of their health care costs.
- General property taxes will continue to slightly decline while costs continue to rise. The combination of the Headlee Amendment and the effects of Proposition A are contributing to the continuing decline of the millage rate, which off sets any actual growth. The combination of Proposition A and Headlee Amendment continue to erode our millage rate and the age of the population handicaps the City in increasing taxable value. At some point in the future, the City may have to go to the voters and ask for a rollback of the millage reduction.
- DDA property tax capture, while showing a slight increase in fiscal 2006, will continue to grow based increased efforts to attract industrial and commercial expansion. More administrative and project costs are being funded by the DDA, where applicable.

- The local union contract for the United Steel Workers expires March, 2007 and negotiations will be ongoing to renew this contract.
- The water mains of the City will need to be replaced. It is anticipated this and other improvements to the City's water system will cost close to \$2,000,000. The City is anticipating receiving a grant of \$750,000 and will borrow the remainder of the cost. This loan will be able to be repaid through an approximately 60% increase in water rates in the 2007 fiscal year.
- During fiscal year 2006, the City set aside money in the hydroelectric fund for repairs mandated by FERC costing \$69,000. While these repairs were made, voids underneath the dam were discovered and the City took preventive steps to mitigate any future problems. These repairs are expected to cost approximately \$50,000, and the City will apply for a grant from FEMA to recover these costs. In the meantime, the hydroelectric dam is not producing revenue and is requiring increased overtime costs by City employees.

Funding for most City programs are under constant scrutiny. Each budget category will be monitored and adjusted if necessary.

The budget for fiscal 2007 calls for an increase in recreational fees of 4%. This is an attempt to bring the user fees in line with expenses. We have signed contracts with all supervisors which defines job responsibilities and will eliminate overtime, thus saving money.

This is an important point considering the current impact of state revenue sharing and other funding sources.

Contacting the City Management

This financial report is intended to provide our citizens, customers, investors and creditors with a general overview of the City' finances. If you have questions about this report or need additional information, contact the City Manager, at P.O. Box 477, Beaverton, Michigan 48612-0477, call (989) 435-3511, or e-mail at beaverton@ejourney.com.

CITY OF BEAVERTON GOVERNMENT-WIDE STATEMENT OF NET ASSETS June 30, 2006

	1	Component Unit Downtown		
	Governmental Activities	Business-Type Activities	Total	Development Authority
ASSETS	Φ 126.606	Φ 20.4.422	Φ 521.110	Φ 02.224
Cash and cash equivalents	\$ 136,686	\$ 394,433	\$ 531,119	\$ 83,336
Accounts receivable, net	2,360	45,619	47,979	-
Taxes receivable, net	3,146	=	3,146	201
Assessments receivable, net	115,956	-	115,956	-
Due from other funds	1,046	29,494	30,540	-
Due from other governmental units	51,512	-	51,512	-
Inventory	-	10,645	10,645	-
Prepaid items	6,508	4,373	10,881	157
Other current assets	-	-	-	2,922
Restricted cash	-	151,395	151,395	-
Capital assets:				
Land	192,484	102,715	295,199	-
Buildings and improvements, net	219,251	-	219,251	-
Equipment, net	19,167	381	19,548	-
Infrastructure, net		4,200,768	4,200,768	
Total capital assets	430,902	4,303,864	4,734,766	
Total assets	748,116	4,939,823	5,687,939	86,616
LIABILITIES				
Accounts payable	26,059	19,816	45,875	681
Accrued expenses	6,074	7,206	13,280	-
Due to other funds	36,822	4,608	41,430	-
Due to other governmental units	991	-	991	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and contracts payable	30,000	24,000	54,000	20,000
Portion due or payable after one year:				
Bonds and contracts payable	380,000	1,192,000	1,572,000	280,000
Total liabilities	479,946	1,247,630	1,727,576	300,681
NET ASSETS				
Invested in capital assets, net of related debt	20,902	3,087,864	3,108,766	_
Restricted for:	-0,202	-,00 <i>,</i> 001	2,200,700	
Streets, roads and bridges	60,510	_	60,510	_
Debt service	121,095	158,500	279,595	-
Unrestricted	65,663	445,829	511,492	(214,065)
Total net assets	\$ 268,170	\$ 3,692,193	\$ 3,960,363	\$ (214,065)

CITY OF BEAVERTON GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

										Expens	se) Revenue a	Assets	Assets			
			Fees	s, Fines and	Op	erating	Car	ital		P	rimaı	ry Governmer	ıt			
				narges for		ants and	Gran			vernmental		siness-Type		_	-	omponent
Activities:	I	Expenses		Services	Cont	ributions	Contri	outions	Activities		Activities		Total			Units
Governmental:																
General government	\$	208,311	\$	3,246	\$	-	\$	-	\$	(205,065)	\$	-	\$	(205,065)		
Public safety		129,372		4,636		-		-		(124,736)		-		(124,736)		
Public works		236,727		33,902		-		-		(202,825)		-		(202,825)		
Recreation and culture		63,780		28,081		-		-		(35,699)		-		(35,699)		
Interest and fiscal charges		18,998								(18,998)				(18,998)		
Total governmental activities		657,188		69,865		-		-		(587,323)		-		(587,323)		
Business-type:							,									
Electric utility		147,832		173,922		-		-		-		26,090		26,090		
Sewer		246,379		238,452		-		-		-		(7,927)		(7,927)		
Water		135,108		124,423		-		-		-		(10,685)		(10,685)		
Total business-type activities		529,319		536,797		-		-		-		7,478		7,478		
Total Primary Government	\$	1,186,507	\$	606,662	\$	-	\$	-		(587,323)		7,478		(579,845)		
Component units:					-											
Downtown Development Authority	\$	36,274	\$	-	\$	4,756	\$	_							\$	(31,518)
	Gen	eral revenues:														
		perty taxes, le		or general pur	poses					228,321		_		228,321		72,952
		perty taxes, le		-	-					15,096		_		15,096		-
		perty taxes, le		-						58,296		_		58,296		_
		te aid			8					238,648		_		238,648		_
		erest earnings								2,735		1,894		4,629		108
		scellaneous								34,218		70,528		104,746		846
		insfers								40,000		(40,000)		-		-
			reveni	ues and transf	ers					617,314		32,422		649,736		73,906
				nge in net ass						29,991		39,900		69,891		42,388
	Net	assets-beginni		6 × 4 00						238,179		3,652,293		3,890,472		(256,453)
		assets-ending	-						\$	268,170	\$	3,692,193	\$	3,960,363	\$	(214,065)

CITY OF BEAVERTON GOVERNMENTAL FUNDS BALANCE SHEET June 30, 2006

ASSETS	-	General Fund	1	Major Street Fund	;	Local Street Fund	 avel Street bt Service Fund	Total
Cash and cash equivalents	\$	88,945	\$	33,085	\$	9,517	\$ 5,139	\$ 136,686
Accounts receivable, net		2,360		-		-	-	2,360
Taxes receivable, net		3,146		-		-	-	3,146
Assessment receivable, net		-		-		-	115,956	115,956
Due from other funds		1,046		-		-	-	1,046
Due from other governmental units		44,788		5,037		1,687	-	51,512
Prepaid items		5,996		324		188	 	 6,508
Total assets	\$	146,281	\$	38,446	\$	11,392	\$ 121,095	\$ 317,214
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	22,509	\$	1,775	\$	1,775	\$ -	\$ 26,059
Accrued expenses		5,436		596		42	-	6,074
Due to other funds		33,330		1,639		1,853	-	36,822
Due to other governmental units		991		_			-	991
Total liabilities		62,266		4,010		3,670	 	 69,946
Fund balances:								
Reserved for:								
Prepaid items		5,996		-		-	-	5,996
Roads and streets		60,510		-		-	-	60,510
Unreserved and undesignated		17,509		34,436		7,722	121,095	180,762
Total fund balances		84,015		34,436		7,722	121,095	247,268
Total liabilities and fund balances	\$	146,281	\$	38,446	\$	11,392	\$ 121,095	\$ 317,214

268,170

CITY OF BEAVERTON RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS June 30, 2006

Total fund balances for governmental funds (Exhibit 4)		\$ 247,268
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of: Land Buildings and improvements, net of \$549,792 accumulated depreciation Equipment, net of \$16,561 accumulated depreciation and \$333 loss on disposal Total capital assets	\$ 192,484 219,251 19,167	430,902
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at June 30, 2006 are:		
2002 General Obligation Limited Tax Bonds	\$ (410,000)	(410,000)

The accompanying notes are an integral part of these financial statements.

Total net assets of governmental activities (Exhibit 2)

CITY OF BEAVERTON STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2006

	General Fund	Major Local Street Street Fund Fund		Del	evel Street bt Service Fund	Total		
REVENUES								
Property taxes and related fees	\$ 301,714	\$	-	\$ -	\$	-	\$	301,714
Licenses and permits	4,181		-	-		-		4,181
State aid	148,585		61,599	28,464		-		238,648
Charges for services	66,200		-	-		-		66,200
Interest and dividends	1,444		647	632		12		2,735
Rents and royalties	14,684		-	-		-		14,684
Fines and forfeits	3,665		-	-		-		3,665
Special assessments, net	5,947		-	-		-		5,947
Miscellaneous	9,406		_			_		9,406
Total revenues	 555,826		62,246	29,096		12		647,180
EXPENDITURES General government	202,156		_	_		275		202,431
Public safety	122,612		_	_		2,3		122,612
Public works	150,010		46,264	30,759		_		227,033
Recreation and culture	58,530		-0,20-	50,757		_		58,530
Debt service:	30,330							30,330
Principal	_		_	_		30,000		30,000
Interest	_		_	_		18,998		18,998
Total expenditures	 533,308		46,264	 30,759		49,273		659,604
Total expenditures	 233,300		40,204	 30,733		47,273		022,004
Excess (deficiency) of revenues over expenditures	 22,518		15,982	 (1,663)		(49,261)		(12,424)
OTHER FINANCING SOURCES (USES)								
Transfers-in	40,000		-	10,000		39,700		89,700
Transfers-out	 (39,700)		(10,000)	 				(49,700)
Total other financing sources and uses	300		(10,000)	10,000		39,700		40,000
Net change in fund balances	22,818		5,982	8,337		(9,561)		27,576
Fund balances-beginning	61,197		28,454	 (615)		130,656		219,692
Fund balances-ending	\$ 84,015	\$	34,436	\$ 7,722	\$	121,095	\$	247,268

CITY OF BEAVERTON RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit 5)

\$ 27,576

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$27,585) in the current period.

(27,585)

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

2002 General Obligation Limited Tax Bonds

\$ 30,000

Change in net assets of governmental activities (Exhibit 3)

29,991

30,000

CITY OF BEAVERTON PROPRIETARY FUNDS STATEMENT OF NET ASSETS June 30, 2006

	Enterprise Funds									DPW Equipment			
	Hyd	roelectric		Sewer		Water			Iı	nternal			
		Fund		Fund		Fund		Total	Service Fund				
ASSETS													
Current assets:													
Cash and cash equivalents	\$	68,090	\$	258,919	\$	67,424	\$	394,433	\$	4,460			
Accounts receivable, net		19,578		16,679		9,362		45,619		-			
Due from other funds		_		29,494		-		29,494		11,937			
Inventory		_		1,136		9,509		10,645		-			
Prepaid items		1,675		1,068		1,630		4,373		-			
Total current assets		89,343		307,296		87,925		484,564		16,397			
Noncurrent assets:													
Restricted cash		45,144		62,930		43,321		151,395		-			
Capital assets:													
Land		_		102,115		600		102,715		-			
Equipment, net		_		· <u>-</u>		381		381		107,293			
Infrastructure, net		422,350		2,512,951		1,265,467		4,200,768		-			
Total noncurrent assets	-	467,494		2,677,996		1,309,769		4,455,259		107,293			
Total assets		556,837		2,985,292		1,397,694		4,939,823		123,690			
LIABILITIES													
Liabilities:		10 174		2 402		2.150		10.016		4 1 4 2			
Accounts payable		13,174		3,492		3,150		19,816		4,143			
Accrued expenses		2,602		2,302		2,302		7,206		-			
Due to other funds		1,592		2,526		490		4,608		-			
Capital lease obligation		-		-		-		-		16,940			
Bonds and contracts payable		-		19,000		5,000		24,000		16,254			
Total current liabilities		17,368		27,320		10,942		55,630		37,337			
Noncurrent liabilities													
Bonds and contracts payable		-		1,034,000		158,000		1,192,000					
Total noncurrent liabilities				1,034,000		158,000		1,192,000		<u>-</u> _			
Total liabilities		17,368		1,061,320		168,942		1,247,630		37,337			
NET ASSETS													
Invested in capital assets, net of related debt		422,350		1,562,066		1,103,448		3,087,864		74,099			
Restricted for debt obligations		-		62,930		43,321		106,251		· -			
Reserved for repairs		45,144		, _		, _		45,144		-			
Unrestricted		71,975		298,976		81,983		452,934		12,254			
Total net assets	\$	539,469	\$	1,923,972	\$	1,228,752	\$	3,692,193	\$	86,353			

CTTY OF BEAVERTON PROPRIETARY FUNDS STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS For the Year Ended June 30, 2006

				DPW Equipment				
	Hyd	roelectric	Sewer	Water			Interr	nal Service
		Fund	 Fund	 Fund		Total	Fund	
OPERATING REVENUES				 				
Charges for services	\$	173,922	\$ 238,452	\$ 124,423	\$	536,797	\$	70,530
Miscellaneous		70,528	_			70,528		
Total operating revenues		244,450	 238,452	 124,423		607,325		70,530
OPERATING EXPENSES								
Salaries and wages		56,119	46,822	30,784		133,725		-
Payroll taxes		4,103	3,611	2,388		10,102		-
Employee benefits		11,986	13,630	16,809		42,425		-
Supplies		2,525	3,695	4,219		10,439		18,131
Postage		-	775	633		1,408		-
Contracted services		-	374	374		748		-
Insurance		733	1,718	1,835		4,286		-
Bank fees		359	8	13		380		-
Engineering costs		17,250	-	5,170		22,420		
Telephone and communications		1,901	2,185	779		4,865		-
Travel, meals and lodging		-	-	361		361		-
Publications		-	-	163		163		-
Utilities		895	21,139	4,152		26,186		-
Repair and maintenance		8,233	19,403	14,742		42,378		8,970
Equipment rental		6,587	6,975	2,309		15,871		-
Miscellaneous		113	226	1,297		1,636		1,711
Depreciation		37,028	74,414	36,830		148,272		32,558
Total operating expenses		147,832	 194,975	 122,858		465,665		61,370
Operating income		96,618	 43,477	 1,565		141,660		9,160
NONOPERATING REVENUES (EXPENSES)								
Investment earnings		349	368	1,177		1,894		350
Interest expense		-	(51,404)	(12,250)		(63,654)		(3,200)
Total nonoperating revenue (expenses)		349	(51,036)	(11,073)		(61,760)		(2,850)
Income (loss) before transfers		96,967	(7,559)	(9,508)		79,900		6,310
Transfers (out)		(15,000)	 (10,000)	 (15,000)		(40,000)		_
Changes in net assets		81,967	(17,559)	(24,508)		39,900		6,310
Total net assets-beginning		457,502	 1,941,531	 1,253,260		3,652,293		80,043
Total net assets-ending	\$	539,469	\$ 1,923,972	\$ 1,228,752	\$	3,692,193	\$	86,353

CITY OF BEAVERTON PROPRIETARY FUNDS STATEMENT OF CASH FLOWS For the Year Ended June 30, 2006

	Enterprise Funds						DPW Equipment			
	Hyd	droelectric		Sewer		Water		Internal Service		
		Fund		Fund		Fund	Total		Fund	
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers	\$	169,937	\$	237,287	\$	120,603	\$ 527,827	\$	70,530	
Payments to suppliers		(26,042)		(48,768)		(35,464)	(110,274)		(30,740)	
Payments to employees		(69,706)		(64,454)		(50,410)	(184,570)		-	
Internal activity-payments from (to) other funds		(6,587)		(6,975)		(2,309)	(15,871)		-	
Other receipts		70,528		-		-	70,528		-	
Net cash provided (used) by operating activities		138,130		117,090		32,420	287,640		39,790	
CASH FLOWS FROM NONCAPITAL FINANCING ACTI	VITIE	S								
Transfers (out)		(15,000)		(10,000)		(15,000)	(40,000)		_	
Interfund loans-proceeds and collections		(8,408)		(17,126)		403	(25,131)		(5,726)	
Net cash provided (used) by noncapital financing activities		(23,408)		(27,126)		(14,597)	(65,131)		(5,726)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Purchases and construction of capital assets		(6,137)		(4,094)		90	(10,141)		(9,141)	
Principal paid on capital debt		-		(18,000)		(5,000)	(23,000)		(20,047)	
Interest paid on capital debt		-		(51,404)		(12,250)	(63,654)		(3,200)	
Net cash provided (used) by capital and						<u> </u>				
related financing activities		(6,137)		(73,498)		(17,160)	 (96,795)		(32,388)	
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest and dividends		349		368		1,177	1,894		350	
Net increase in cash and cash equivalents		108,934		16,834		1,840	127,608		2,026	
Balances-beginning of the year		4,300		305,015		108,905	418,220		2,434	
Balances-end of the year	\$	113,234	\$	321,849	\$	110,745	\$ 545,828	\$	4,460	
Displayed as:										
Cash and cash equivalents	\$	68,090	\$	258,919	\$	67,424	\$ 394,433	\$	4,460	
Restricted cash		45,144		62,930		43,321	151,395		_	
	\$	113,234	\$	321,849	\$	110,745	\$ 545,828	\$	4,460	
Reconciliation of operating income to net cash										
provided (used) by operating activities:										
Operating income	\$	96,618	\$	43,477	\$	1,565	\$ 141,660	\$	9,160	
Adjustments to reconcile operating income to net cash										
provided (used) by operating activities:										
Depreciation expense		37,028		74,414		36,830	148,272		32,558	
Change in assets and liabilities:										
Receivables, net		(3,985)		(1,165)		(3,820)	(8,970)		-	
Prepaid items		(945)		74		(440)	(1,311)		-	
Accounts payable		6,912		681		(1,286)	6,307		(1,928)	
Accrued expenses		2,502		(391)		(429)	 1,682			
Net cash provided (used) by operating activities	\$	138,130	\$	117,090	\$	32,420	\$ 287,640	\$	39,790	

CITY OF BEAVERTON STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES CURRENT TAX FUND June 30, 2006

A	S	S	\mathbf{E}	T	S

Cash and cash equivalents	\$ 1,213
Total assets	 1,213
LIABILITIES	
Due to other governmental units	167
Due to other funds	 1,046
Total liabilities	1,213
NET ASSETS	\$ -

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

A. Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The following component unit is reported within the "component unit" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the City, but for which the unit is financially accountable, or its relationship with the City is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

<u>Downtown Development Authority</u>—The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of five individuals, is selected by the City Council. In addition, the Authority's budget is approved by the City Council. The Authority does not issue separate financial statements. Detail information can be obtained by contacting the City Clerk.

Related Organization

<u>Fire Protection District</u>—The City, in conjunction with Beaverton and Tobacco Townships, entered into an agreement to create the Beaverton Area Fire Protection District. The Fire Protection District is a legally separate organization established to provide fire protection services to the three communities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, state aid, and other types of revenue not included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue susceptible to accrual include property taxes, state revenue sharing and interest.

The City property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st.

The 2005 taxable valuation of the City totaled \$17.8 million, on which ad valorem taxes levied consisted of 13.8274 mills for City operating purpose, 1.8916 mills for roads, .9770 mills for fire protection, and 2.0671 mills for county roads and bridges. These amounts are recognized in the General Fund as property taxes and related fees.

The government reports the following major funds:

The General Fund is the governments primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the receipt and expenditures of State motor fuel taxes which are earmarked by law for major street and highway purposes.

The Local Street Fund is used to account for the receipt and expenditure of State motor fuel taxes which are earmarked by law for local street and highway purposes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government reports the following major proprietary funds:

The Hydroelectric Fund is used to record the revenues and expenses for the operation of a hydroelectric system. Capital assets are recorded within the fund and depreciation is charged.

The Sewer Fund is used to record the revenues and expenses for the operation of a sewer system. Capital assets are recorded within the fund and depreciation is charged.

The Water Fund is used to record the revenues and expenses for the operation of a water system. Capital assets are recorded within the fund and depreciation is charged.

Additionally, the government reports the following fund types:

The DPW Equipment Fund is an internal service fund, which accounts for major machinery and equipment purchases and maintenance to provide services to other departments of the government on a cost reimbursement basis.

The Current Tax Collection Fund is used to account for resources held by the City in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering foods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The sewer and water funds also recognizes the portion of tap fees intended to recover current costs as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets

<u>Bank Deposits and Investments</u>—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

<u>Receivables and Payables</u>—In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

<u>Inventories and Prepaid Items</u>—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

<u>Restricted Assets</u>—The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets

<u>Capital Assets</u>—Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 (unless the asset is a computer or a firearm) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred, if any, during the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Sewer and water systems	50 to 75 years
Office equipment	5 to 10 years
Computer equipment	3 to 5 years

<u>Compensated Absences (Vacation and Sick Leave)</u>—It is the City's policy to permit employees to accumulate earned but unused personal days and vacation benefits. All vacation and personal day pay is accrued when incurred in the government-wide financial statements.

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets

<u>Fund Equity</u>—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if any, of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

<u>Budgetary Information</u>—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

<u>Excess of Expenditures Over Appropriations in Budgeted Funds</u>—During the year, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

Budgeted Item	lget <u>oriation</u>	tual nditure
General Fund-Other General Government	\$ 5,500	\$ 5,552
General Fund–Street Lights	16,500	16,568
Major Street Fund–Engineering Costs	350	2,125
Local Street Fund-Salaries and Wages	11,000	11,173
Local Street Fund-Payroll Taxes	850	855

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of Untied States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated three banks for the deposit of City funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	 ernmental ctivities	ness-Type Funds	uciary unds	P	Total rimary vernment	Cor	mponent Unit
Cash and cash equivalents Restricted assets	\$ 136,686 -	\$ 394,432 151,395	\$ 1,213	\$	532,331 151,395	\$	83,336
Total	\$ 136,686	\$ 545,827	\$ 1,213	\$	683,726	\$	83,336

The breakdown between deposits and investments is as follows:

	Primary Government	Co	mponent Unit
Bank Deposits (checking and savings, certificate of deposit) Petty Cash and Cash on Hand	\$ 683,626 100	\$	83,336
Total	\$ 683,726	\$	83,336

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Custodial Credit Risk – **Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$469,226 of bank deposits (checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City's current investments have no potential interest rate risk.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the primary government for the current period was as follows:

Governmental Activities	Beginning Balance		Increases		Decreases		Inding alance
Capital Assets Not Being Depreciated Land	\$	192,484	\$	-	\$	-	\$ 192,484
Capital Assets Being Depreciated Buildings and Improvements Equipment - Police Department Other Capital Assets		769,043 18,495 18,900		- - -		- 1,667 -	769,043 16,828 18,900
Subtotal		806,438		-		1,667	804,771
Less Accumulated Depreciation for Buildings and Improvements Equipment - Police Department Other Capital Assets		530,973 5,127 4,335		18,819 4,761 4,005		- 1,667 -	549,792 8,221 8,340
Subtotal		540,435		27,585		1,667	566,353
Net Capital Assets Being Depreciated		266,003		27,585			238,418
Governmental Activities Capital Assets–Net of Depreciation	\$	458,487	\$	(27,585)	\$		\$ 430,902

NOTE 4. CAPITAL ASSETS (Continued)

Business-Type Activities	Beginning Balance			Ending Balance
Capital Assets Not Being Depreciated Land	\$ 102,715	\$ -	\$ -	\$ 102,715
Capital Assets Being Depreciated Equipment Infrastructure	526 6,182,689	- 10,570	- 1,753	526 6,191,506
Subtotal	6,183,215	10,570	1,753	6,192,032
Less Accumulated Depreciation for Equipment Infrastructure	92 1,843,843	53 148,219	1,324	145 1,990,740
Subtotal	1,843,935	148,272	1,324	1,990,885
Net Capital Assets Being Depreciated	4,339,280	(137,702)	429	4,201,149
Business-Type Activities Capital Assets–Net of Depreciation	\$ 4,441,995	\$ (137,702)	\$ 429	\$ 4,303,864
Depreciation expense was char	ged to programs	of the City as fol	llows:	
	\$ 5,880 6,760 9,695 5,250 \$ 27,585			
	\$ 37,028 74,414 36,830 \$ 148,272			

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund receivables and payables is as follows:

Fund	Interfund Receivable		Fund	Interfund Payable		
General	\$	1,046	General	\$	33,330	
Sewer		29,494	Major Street		1,640	
Internal Service		11,937	Local Street		1,853	
			Hydroelectrical		1,592	
			Sewer		2,526	
			Water		490	
			Tax Collection		1,046	
Total	\$	42,477	Total	\$	42,477	

The composition of interfund transfers out and in is as follows:

Fund	Transfers Out		Fund	Transfers In		
General	\$	40,000	Hydroelectrical	\$	15,000	
Local Street	•	10,000	Debt Service	т	30,000	
Capital Project		39,700	Sewer		10,000	
Debt Service		30,000	Water		15,000	
			Major Street		10,000	
			General		39,700	
Total	\$	119,700	Total	\$	119,700	

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual agreements can be summarized as follows:

	Interest Rate			dditions ductions)	Ending Balance		Due Within One Year		
Governmental Activities General Obligation Bonds 2002 Gravel Street	3.65 to 4.90%	April 2017	\$ 440,000	\$	(30,000)	\$	410,000	\$	30,000
Business-Type Activities Revenue Bonds									
1981 Water Line 1984 Water Line 1992 Wastewater Plant	5.00% 7.125% 5.00%	March 2022 March 2022 March 2032	\$ 67,000 101,000 1,071,000	\$	(3,000) (2,000) (18,000)	\$	64,000 99,000 1,053,000	\$	3,000 2,000 19,000
			\$ 1,239,000	\$	(23,000)	\$	1,216,000	\$	24,000
Internal Service Fund Purchase Contract									
2002 Truck	3.90%	March 2007	\$ 29,945	\$	(13,691)	\$	16,254	\$	16,254
2006 Police Car	6.15%	July 2008			16,940		16,940		5,314
			\$ 29,945	\$	3,249	\$	33,194	\$	21,568
Component Unit General Obligation Bonds					_				
2001 DDA Streetscape	4.558%	December 2016	\$ 315,000	\$	(15,000)	\$	300,000	\$	20,000

NOTE 6. LONG-TERM DEBT(Continued)

Scheduled principal maturities of long-term debt for years subsequent to June 30, 2006 are as follows:

Year Ending June 30	ernmental ctivities	Business-Type Activities		Internal Service Fund		nponent Unit
2007	\$ 30,000	\$	24,000	\$	21,570	\$ 20,000
2008	30,000		26,000		5,640	20,000
2009	35,000		27,000		5,984	20,000
2010	35,000		28,000		-	25,000
2011	35,000		29,000		-	25,000
Thereafter	 245,000		1,082,000		-	190,000
Total	\$ 410,000	\$	1,216,000	\$	33,194	\$ 300,000

Interest expense for the year ended June 30, 2006, totaled \$99,752.

NOTE 8. SEGMENT INFORMATION

The City issued revenue bonds to finance water and sewer system improvements. Summary financial information for the sewer and water departments are presented below:

Condensed Statement of Net Assets:

	Sewer	Water
Assets		
Current Assets	\$ 277,802	\$ 87,925
Due From Other Funds	29,494	-
Restricted Assets	62,930	43,321
Capital Assets	2,615,066	1,266,448
Total Assets	2,985,292	1,397,694
Liabilities		
Current Liabilities	24,794	10,452
Due to Other Funds	2,526	490
Noncurrent Liabilities	1,034,000	158,000
Total Liabilities	1,061,320	168,942
Net Assets		
Invested in Capital Assets	1,562,066	1,103,448
Restricted	62,930	43,321
Unrestricted	298,976	81,983
Total Net Assets	\$ 1,923,972	\$ 1,228,752

NOTE 8. SEGMENT INFORMATION (Continued)

Condensed Statement of Revenue, Expenses, and Changes in Net Assets:

	Sewer	Water
Operating Revenues	\$ 238,452	\$ 124,423
Depreciation Expense	74,414	36,830
Other Operating Expenses	120,561	86,028
Operating Income	43,477	1,565
Nonoperating Revenue (Expense)		
Investment Earnings	368	1,177
Interest Expense	(51,404)	(12,250)
Capital Grants	-	-
Transfers	(10,000)	(15,000)
Change in Net Assets	(17,559)	(24,508)
Beginning Net Assets	1,941,531	1,253,260
Total Net Assets	\$ 1,923,972	\$ 1,228,752

Condensed Statement of Cash Flows:

		Sewer	Water			
Net Cash Provided by (Used in) Operating Activities Noncapital Financing Activities Capital and Related Financing Activities		117,090 (27,126) (73,498)	\$	32,420 (14,597) (17,160)		
Investing Activities		368		1,177		
Net Increase (Decrease) Beginning Cash and Cash Equivalents		16,834 305,015		1,840 108,905		
Ending Cash and Cash Equivalents	\$	321,849	\$	110,745		

NOTE 9. RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

	S	Sewer	Water		
Operating Activities Improvement and Replacement Account Bond Reserve	\$	62,930	\$	43,321	
Total Restricted Assets	\$	62,930	\$	43,321	

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The City has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 11. PENSION PLAN

The City has a contributory Individual Retirement Account annuity plan covering union employees, who are full-time, age twenty-one and over, and employed with the City for at least one year. The City's policy is to contribute 7.5 percent of the annual salaries of covered employees into this plan. The City's pension expense for the year ended June 30, 2006, was \$12,243.

The City also has a Money Plan and Trust plan for all full-time, administrative employees. The City's policy is to contribute 7.5 percent of the annual salaries of covered employees into this plan. The City's expense under this plan for the year ended June 30, 2006, was \$1,775.

NOTE 12. DEFERRED COMPENSATION PLAN

The City offers for all its full-time employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (City) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City's financial statements.

NOTE 12. DEFERRED COMPENSATION PLAN (Continued)

A summary of the plan's investment activity for the year ended June 30, 2006, follows:

Balance - June 30, 2005	\$ 122,331
Employer Contributions	5,046
Rollover Contributions	-
Interest and Market Gains	3,286
Adjustments/Fees	-
Balance - June 30, 2006	\$ 130,663

NOTE 13. VALUATION OF CITY STREETS

Management has elected to utilize the transition option in the implementation of GASB Statement Number 34 for the valuation of the City's streets. Management plans to capitalize the value of its streets as an infrastructure asset in its June 30, 2007 financial statements.

CITY OF BEAVERTON BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2006

		Original Budget	Final Budget		Actual		Variance with Final Budget Positive (Negative)	
REVENUES								
Property taxes and related fees	\$	291,600	\$	294,096	\$	301,714	\$	7,618
Licenses and permits		2,265		4,765		4,181		(584)
State aid		145,000		145,000		148,585		3,585
Charges for services		96,900		75,404		66,200		(9,204)
Interest and dividends		1,800		1,800		1,444		(356)
Rents and royalties		16,000		17,000		14,684		(2,316)
Fines and forfeits		2,500		4,000		3,665		(335)
Special assessments		-		6,000		5,947		(53)
Miscellaneous		1,800		9,800		9,406		(394)
Total revenues		557,865	-	557,865		555,826		(2,039)
EXPENDITURES								
General Government:								
City council		6,132		6,632		6,340		292
City manager		34,925		36,425		34,881		1,544
Treasurer		23,260		25,776		24,868		908
Assessing		9,700		9,856		9,724		132
Clerk		8,400		3,283		2,975		308
Elections		-		3,700		3,649		51
Board of review		560		560		454		106
Cemetary		14,883		14,883		9,846		5,037
Buildings and grounds		19,550		8,009		5,987		2,022
Finance and administration		73,795		102,387		97,880		4,507
All other general government		5,000		5,500		5,552		(52)
Public Safety:								
Fire protection contract		20,000		21,776		21,566		210
Police department		93,710		102,910		101,046		1,864
Public Works:								
Public works		111,400		105,820		98,923		6,897
Highways and streets		1,000		1,600		1,363		237
Garbage collection		33,000		33,500		33,156		344
Street lights		16,500		16,500		16,568		(68)
Recreation and Culture:								
Parks and recreation		69,200		72,848		58,530		14,318
Capital Outlay:								
General government		-		-		-		-
Police department								
Total expenditures		541,015	-	571,965		533,308		38,657
Deficiency of revenues over expenditures		16,850		(14,100)		22,518		36,618
OTHER FINANCING SOURCES (USES)								
Transfers-in		40,000		40,000		40,000		-
Transfers-out		(39,700)		(39,700)		(39,700)		-
Total other financing sources and uses		300		300		300		-
Net change in fund balances		17,150		(13,800)		22,818		36,618
Fund balances-beginning		61,197		61,197		61,197		
Fund balances-ending	\$	78,347	\$	47,397	\$	84,015	\$	36,618

CITY OF BEAVERTON BUDGETARY COMPARISON SCHEDULE MAJOR STREET

For the Year Ended June 30, 2006

		Priginal Budget	Final Budget		Actual		Variance with Final Budget Positive (Negative)	
REVENUES	ф	62 000	Φ.	62.000	Φ.	61.500	Φ.	(401)
State aid	\$	62,000	\$	62,000	\$	61,599	\$	(401)
Interest and dividends		250		750		647		(103)
Total revenues		62,250		62,750		62,246		(504)
EXPENDITURES								
Salaries and wages		11,200		16,200		16,098		102
Payroll taxes		1,000		1,400		1,192		208
Employee benefits		7,400		4,900		4,456		444
Supplies		-		1,000		660		340
Contracted services		500		500		4		496
Insurance		-		2,000		1,873		127
Engineering costs		1,000		350		2,125		(1,775)
Utilities		-		380		375		5
Repairs and maintenance		12,000		2,100		1,756		344
Equipment rental		11,500		18,690		17,725		965
Total expenditures		44,600		47,520		46,264		1,256
Excess of revenues over expenditures		17,650		15,230		15,982		752
OTHER FINANCING SOURCES (USES)								
Transfers-out		(10,000)		(10,000)		(10,000)		_
Total other financing sources and uses		(10,000)		(10,000)		(10,000)		-
Net change in fund balances		7,650		5,230		5,982		752
Fund balances-beginning		28,454		28,454		28,454		
Fund balances-ending	\$	36,104	\$	33,684	\$	34,436	\$	752

CITY OF BEAVERTON BUDGETARY COMPARISON SCHEDULE LOCAL STREET

For the Year Ended June 30, 2006

		Original Budget	Final Budget					ance with al Budget ositive egative)
REVENUES								
State aid	\$	23,700	\$	23,100	\$	28,464	\$	5,364
Interest and dividends		300		250		632		382
Total revenues		24,000		23,350		29,096		5,746
EXPENDITURES								
Salaries and wages		8,000		11,000		11,173		(173)
Payroll taxes		800		850		855		(5)
Employee benefits		6,100		6,100		2,603		3,497
Supplies		250 1,000				659		341
Insurance		1,000	000 1,000 55					443
Engineering costs	2,500		2,500			1,775		725
Equipment rental		13,000		13,000		12,455		545
Repairs and maintenance		4,500		1,500		1,043		457
Miscellaneous		-		500		(361)		861
Total expenditures		36,150		37,450		30,759		6,691
Deficiency of revenues over expenditures		(12,150)		(14,100)		(1,663)		12,437
OTHER FINANCING SOURCES (USES)								
Transfers-in		10,000		10,000		10,000		-
Total other financing sources and uses		10,000		10,000		10,000		-
Net change in fund balances		(2,150)		(4,100)		8,337		12,437
Fund balance (deficit) beginning		(615)		(615)		(615)		
Fund balances-ending	\$	(2,765)	\$	(4,715)	\$	7,722	\$	12,437